

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 5/15/2014

GAIN Report Number:

Argentina

Dairy and Products Semi-annual

Argentina - Dairy & Products Update

Approved By:

Brooke Markley

Prepared By:

Andrea Yankelevich

Report Highlights:

Post forecast Argentina's milk production for calendar year (CY) 2014 at 12.1 million tons, a 1.5 percent increase from CY2013 Post's revised estimates. Total exports of dairy products in CY2014 are forecast at 301,000 metric tons (MT). Because domestic consumption is relatively stable, virtually all the increase in milk production goes directly to the production of commodities and products for export.

Executive Summary:

Commodities:

Dairy, Cheese

Dairy, Dry Whole Milk Powder

Dairy, Milk, Fluid

Dairy, Milk, Nonfat Dry

Production:

FAS Buenos Aires forecasts Argentine milk output for calendar year (CY) 2014 to reach 12.1 million tons, a 1.5 percent increase from Post's CY2013 revised estimates. This production increase is lower than initial estimates due to unfavorable weather conditions (heat waves in December and January, but especially excessive rain during March and April). This estimated modest growth for CY2014 is mainly based on the following factors:

- Standard weather conditions under a soft "El Niño" pattern, meaning sufficient water supply especially during the winter and spring 2014 period (June through December), and;
- Stable good international prices for whole milk powder (WMP).

Farm gate prices increased substantially during CY2013. Current per liter price is paid around AR\$ 2.20 - 2.79 (US\$ 0.28 – 0.34 approx.), but the 15 percent devaluation in January 2014 resulted in higher production costs in dollars that impacted the producer's profitability. Higher production costs could result in low quality pastures and less quality feed for 2014. High inflation continues to be an issue that also impacts production.

CY2013 Post revised production estimates of 11.9 million tons show a 2.1 percent increase in milk output compared to CY2012 figures. The reasons behind the increase are:

The first months of 2013 were very dry, and the beginning of the spring (September 2013) was very delayed and dry. Also, unfavorable producer's margins during the first months of CY2013 resulted in lower quality feed. As a consequence, milk production during the first semester of CY2013 fell considerably. But as a result of the good weather during the peak months (Oct–Dec) milk production rebounded enough to compensate.

Whole Milk Powder Production

CY2014 production is expected to increase to 291,000 MT, a 1.5 percent increase from revised CY 2013 estimates. The industry's current drying capacity is approximately 15 million liters per day, running at full capacity during the spring.

Cheese production

Post forecasts cheese production to grow in 2014 to 584,000 MT, a 1.5 percent increase from CY 2013 revised estimates. Cheese is the second most important dairy product of Argentina. Soft/fresh types (Cremoso, Saint Paulin and Mozzarella) dominate the cheese categories constituting 50 percent of the market. Semi-soft varieties such as Gouda and Swiss type hold 38 percent of the market share followed by hard cheese (Provolone and Sardo) accounting for 12 percent of the market.

Consumption:

CY2014 domestic consumption of dairy products is forecast to only grow marginally. Per capita consumption is estimated at 211 liters per capita, with a small margin for growth. Despite the domestic high inflation, consumption remains stable.

Cheese consumption is currently high (estimated at 12 kg per capita) and it is expected to grow only marginally. Over 90 percent of the cheese production is consumed domestically, and there is little room for further expansion.

Trade:

In September 2013 the GOA announced that the use of export permits (ROE), previously required for just a few products, is now mandatory for most dairy products. During the first months of CY 2014, and in an attempt to keep domestic prices low, the GOA limited the issuance of ROEs (mainly for whole milk powder). However, it is expected that the situation will normalize according to the increase in production during the year. Given a normal flow of export permits, Post forecasts dairy commodity exports to grow in line with the projected increase in fluid milk production. Approximately 25 percent of total milk output is projected to be exported, primarily in the form of whole milk powder (WMP) and cheese. Post estimates total exports for CY2014 at 301,000 MT, reaching about 107 markets.

Lower production during the first semester of CY2013, also had an impact in Argentine dairy exports. Exports of WMP fell 16 percent during the period of Jan – July compared to the same period in 2012, and cheese exports fell 17 percent during the same period. However, total exports rebounded the second semester, and estimated total dairy exports for CY2013 were 4.2 percent over USDA's official CY2012 level.

Whole Milk Powder exports (WMP)

Argentina continues to be the third world's largest exporter of WMP. Exports for 2014 are projected at 207,000 MT. The five most important markets for Argentina are expected to continue to be Algeria (18%), Venezuela (15%), Brazil (15%), China (13%), and Russia (12%).

Nonfat Milk Powder exports

Nonfat dry milk exports for CY2014 are projected to increase to 24,000 MT, a very small volume compared to WMP, but showing an important increase from previous export figures. Russia has become the biggest market for this product, followed by Brazil and Venezuela.

Cheese exports

Post estimates CY 2014 cheese exports at 55,000 MT. Cheese is the second most important dairy product exported. Brazil, Russia and Venezuela continue to be the main markets for the Argentine cheese.

Previously, Argentina received a 6,800 MT tariff rate quota for cheeses shipped to the United States, but on March 26, 2012, the U.S. government announced the suspension of Argentina's trade benefits under the Generalized System of Preferences given Argentina's failure to abide by its bilateral investment

treaty obligations. Argentina still has access to the quota every year, but outside the system of preferences in some cases without profit given tariff increase from zero to 15 percent.

Whey exports

Argentina whey exports have increased in CY2013 to 78,800 MT, a record high. During the period of Jan - Sep 2013 almost 70,000 MT (equivalent to 135 US\$ million Free on Board, FOB) were exported, while during the same period in 2012 Argentina exported 46,000 MT (96 US\$ million FOB). The main markets for this product are China, Brazil, and Vietnam. Post forecasts the same trend for CY 2014.

Imports

Dairy imports are negligible, and especially now due to the strong import restriction system imposed by the government of Argentina (GOA). Post forecasts no change for CY2014. Most imports are caseinates and casein derivatives from Uruguay and the Netherlands.

Production, Supply and Demand Data Statistics:

[illegible]

Dairy, Dry Whole Milk Powder Argentina	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	46	46	36	36	39	28
Production	281	281	284	287	294	291
Other Imports	0		0		0	
Total Imports	0	0	0	0	0	0
Total Supply	327	327	320	323	333	319
Other Exports	201	201	190	204	211	207
Total Exports	201	201	190	204	211	207
Human Dom. Consumption	90	90	91	91	92	92
Other Use, Losses	0		0		0	
Total Dom. Consumption	90	90	91	91	92	92
Total Use	291	291	281	295	303	299
Ending Stocks	36	36	39	28	30	20
Total Distribution	327	327	320	323	333	319
1000 MT						

Dairy, Milk, Nonfat Dry Argentina	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	9	9	9	9	7	1
Production	32	32	32	34	33	42
Other Imports	0		0		0	
Total Imports	0	0	0	0	0	0
Total Supply	41	41	41	43	40	43
Other Exports	14	14	16	24	15	24
Total Exports	14	14	16	24	15	24
Human Dom. Consumption	18	18	18	18	18	18
Other Use, Losses	0		0		0	
Total Dom. Consumption	18	18	18	18	18	18

